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Report on the activities of the Office of Internal Oversight Services

Report on the activities of the Office of Internal Oversight Services for the period from 1 July 2006 to 30 June 2007**

Summary

The present report is submitted in conformity with General Assembly resolutions 48/218 B (para. 5 (e)), 54/244 (paras. 4 and 5) and 59/272 (paras. 1-3). It covers the activities of the Office of Internal Oversight Services (OIOS) from 1 July 2006 to 30 June 2007, except for the results of OIOS peacekeeping oversight activities, which will be reported to the General Assembly separately in part II of the report during the resumed part of the sixty-second session.

During the reporting period, OIOS issued 268 oversight reports, including 15 reports to the General Assembly. The reports included 1,792 recommendations to improve internal controls, accountability mechanisms and organizational efficiency and effectiveness. Of those recommendations, 960 were classified as critical to the Organization. Through the recommendations, the Office identified a total of $27.8 million in cost savings. Actual savings and recoveries amounted to $12.8 million. The addendum to the present report (A/62/281 (Part I)/Add.1) provides a detailed analysis of the implementation status of the recommendations and highlights those recommendations that are of particular concern.

* A/62/150.

** Excluding peacekeeping oversight activities, which will be reported in document A/62/281 (Part II).

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Preface

I am pleased to submit to the General Assembly a report on the activities of the Office of Internal Oversight Services (OIOS) for the 12-month period ending 30 June 2007. Earlier this year, OIOS issued a report (A/61/264 (Part II)) highlighting the Office's oversight activities as they pertain to peacekeeping.

Given the findings highlighted in document A/61/264 (Part II) and those in the present report, it is of utmost concern that the Organization does not yet have a formal and structured internal control framework that would provide reasonable assurance to management that financial resources are being handled effectively and that objectives are being achieved. OIOS audit and investigation reports, including 22 reports that were submitted by the OIOS Procurement Task Force, have indicated serious deficiencies in internal control that have left the Organization susceptible to mismanagement and fraud. Nowhere have these deficiencies been more apparent than in procurement activities. For instance, in an audit of procurement activities at the United Nations Mission in the Sudan, OIOS found that a $17 million contract had been awarded on a "sole bid" basis at what appeared to be exorbitant prices. In the United Nations Organization Mission in the Democratic Republic of the Congo, OIOS has reported on extensive corruption in procurement. These and other examples in document A/61/264 (Part II) and the report of OIOS on the activities of the Procurement Task Force (A/62/272) illustrate the significant risks present in the United Nations. In addition, OIOS intends to submit to management and to the General Assembly at its sixty-second session a comprehensive report on the management of procurement systems and the implementation of procurement reform.

As I have stated on previous occasions, the adoption of and adherence to a formal internal control framework would help foster an environment conducive to successfully fulfilling the Organization's mission, while strengthening accountability and transparency. While OIOS has noted the ongoing efforts at the Secretariat regarding a formal internal control framework, following General Assembly resolution 61/245, the findings reported by this Office continue to underscore the urgency of this initiative.

During the reporting period, the Office also engaged in several initiatives aimed at strengthening internal processes and procedures to better serve management and Member States. While there is plenty of work ahead, particularly with regard to the investigations function, the Office remains steadfast in its duties on behalf of the Organization.

(*Signed*) Inga-Britt **Ahlenius**
Under-Secretary-General for Internal Oversight Services

17 August 2007

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I. Introduction

1. The Office of Internal Oversight Services (OIOS) was established by General Assembly resolution 48/218 B, dated 29 July 1994, to enhance oversight in the Organization. Operationally independent, the Office has as its purpose to assist the Secretary-General in fulfilling his internal oversight responsibilities in respect of the resources and staff of the Organization through internal audit, monitoring, inspection, evaluation and investigation.

2. The present report provides an overview of OIOS oversight activities during the period from 1 July 2006 to 30 June 2007 and comprises four main sections covering initiatives aimed at improving OIOS operations and quality of work, including impediments to the Office's activities; the principal oversight findings by risk category; mandated oversight activities concerning the United Nations Compensation Commission and the capital master plan; and highlights of management consulting activities. The addendum to the report (A/62/281 (Part I)/Add.1) provides a statistical overview of recommendations, as well as a summary of those of particular concern to the Office.

3. The report does not cover oversight findings pertaining to the Department of Peacekeeping Operations or the peacekeeping missions, as they will be presented to the Assembly in part II of the report during the resumed part of the sixty-second session. The report also does not contain findings of the Procurement Task Force, as they will be presented to the Assembly in a separate report to be issued during the sixty-second session. It should be noted that the statistical information and recommendations of concern included in document A/62/281 (Part I)/Add.1 are inclusive of all entities for which the Office provided oversight coverage during the reporting period.

II. Internal initiatives

A. Cooperation and coordination

1. Coordination with other United Nations oversight entities

4. OIOS coordinates regularly with other United Nations oversight entities, including the Board of Auditors and the Joint Inspection Unit, to ensure that potential duplications and overlaps in the conduct of oversight work are avoided and to minimize the gaps in oversight coverage. Aside from sharing workplans, the Office holds bimonthly meetings with the Board of Auditors to discuss issues of mutual interest and meets with the Joint Inspection Unit on an ad hoc basis when issues arise. Annually, the senior representatives of these entities take part in a tripartite meeting to discuss, inter alia, oversight coordination. The last tripartite meeting was held in Nairobi in December 2006, organized by the Board of Auditors.

5. During the reporting period, OIOS was appointed to chair the Audit Working Group of the United Nations Development Group. The Development Group is an instrument for United Nations reform, created by the Secretary-General in 1997 to improve the effectiveness of the Organization's development activities at the country level. It brings together the operational agencies working on development.

The Development Group is chaired by the Administrator of the United Nations Development Programme (UNDP) on behalf of the Secretary-General.

6. The Audit Working Group's tasks are related to providing support for "One United Nations" initiatives and "simplification and harmonization" of United Nations procedures. Its current approved tasks are to agree on arrangements for (a) audits of joint United Nations offices; (b) audits of multi-donor trust funds; (c) audits of common funds or inter-agency interventions; and (d) auditing of common services. It is also mandated to clarify internal audit services roles in respect of harmonized cash transfers guidance and oversight. In the last meeting of representatives of internal audit services of United Nations organizations and multilateral financial institutions, it was agreed that the Audit Working Group should determine the areas of cooperation for audits of inter-agency programmes and operations, and develop procedures as to how cooperation modalities could best be implemented. It is anticipated that an agreement on this issue will be reached in 2007 for endorsement by the management group of the United Nations Development Group.

2. System-wide forums

7. The participation of OIOS staff in their respective professional networks provides a valuable opportunity for them to discuss common issues with staff from other organizations and contribute to the advancement of these areas. Some examples during the reporting period include:

(a) As a member of the United Nations Evaluation Group, OIOS supported the establishment of the Group's "Principles for working together" and co-chaired task forces on evaluation and oversight and evaluation capacity development, which helped to establish minimum conditions for effective evaluation and to establish core competencies for all United Nations evaluators as well as generic professional job descriptions for the United Nations system;

(b) OIOS organized and chaired the 37th meeting of representatives of internal audit services in Nairobi. In addition to serving on several panels, OIOS presented a paper identifying challenges facing the group and options for moving it forward. This initiative led to the adoption of a mission statement and membership guidelines for the group. The 38th meeting will be co-hosted by the International Atomic Energy Agency (IAEA) and the United Nations Industrial Development Organization (UNIDO) in October 2007;

(c) OIOS staff participated in the Eighth Conference of International Investigators, held at the Vienna International Centre and attended by more than 100 participants from more than 40 organizations. OIOS investigators were speakers in several panels, including those on ethics functions and investigations, implementing lessons learned and recommendations, overcoming investigative obstacles and tensions, expanding the use of forensic tools, the use of the United Nations Convention against Corruption and other international instruments in the investigative process, and investigations related to procurement issues.

3. Supporting management

8. The Office's cooperation with and support for management often extends beyond oversight assignments. When appropriate, OIOS lends staff expertise to

train, support and/or provide input to organizational initiatives. Some examples include:

(a) OIOS, in an advisory role, participated in the Staff-Management Coordination Committee working group to discuss proposals made by the redesign committee on the internal justice system, specifically relating to the conduct of investigations and the subsequent disciplinary process;

(b) OIOS provided input to the request for proposal for the enterprise risk management consultant;

(c) OIOS agreed on an oversight process with the steering committee of the Enterprise Resource Planning Project for monitoring and auditing the development and implementation of the new system.

9. As delineated in the Office's founding resolution, 48/218 B, its mandate includes the provision of methodological guidance and support to the Organization for monitoring and evaluation. In carrying out this mandate, OIOS undertook the following initiatives:

(a) Developed and implemented, at the request of the Regional Commissions, on-site evaluation training;

(b) Provided, upon request from the Economic and Social Commission for Asia and the Pacific (ESCAP) and the Department for General Assembly and Conference Management, methodological support for self-evaluation activities;

(c) Provided, upon request from the Office of Programme Planning, Budget and Accounts of the Department of Management, the Department of Safety and Security, the United Nations Office on Drugs and Crime, the Office of the United Nations High Commissioner for Human Rights (OHCHR) and the Office of Legal Affairs, training in results-based programme performance monitoring and reporting and the use of the Integrated Monitoring and Documentation Information System;

(d) Conducted a Secretariat-wide evaluation needs assessment exercise to identify specific capacity and resource needs of Secretariat programmes;

(e) Proposed the establishment of evaluation as a separate professional category for the purposes of the national competitive recruitment examination and the development of a specialized examination paper for evaluation.

10. In peacekeeping missions OIOS worked closely with the mission management and conduct and discipline units regarding investigative and/or personnel conduct responsibilities as stipulated in document ST/SGB/2003/13, to ensure that the roles and responsibilities of each group are well understood. This has led to a rationalization of the cases being referred to OIOS. In addition, it has resulted in increased cooperation between OIOS and mission management, particularly regarding the exchange of information that is necessary to facilitate management's response to serious misconduct and to take preventive action, when appropriate. OIOS also participated in induction courses for military personnel, including contingent commanders of national military contingents, where information was provided to participants on the OIOS mandate and investigative responsibilities as outlined in General Assembly resolution 59/287.

11. At Headquarters, OIOS and conduct and discipline units in the Department of Field Support are working in close cooperation concerning category 1 and

category II investigations. In particular, the Office and conduct and discipline units are working to strengthen the administrative mechanisms for reporting to OIOS of allegations and the results of investigations of misconduct (see A/57/708 and General Assembly resolution 59/287). In addition, in order to ensure that allegations arising from peacekeeping missions are fully reconciled, OIOS has, since January 2007, provided related statistical data to the Department of Field Support on a monthly basis. The Secretariat is examining ways to strengthen cooperation and coordination among conduct and discipline units, OIOS and other entities of the United Nations system, both at Headquarters and in the field, and will report to the General Assembly in this regard at the second resumed part of its sixty-second session (see General Assembly resolution 61/276, sect. XVI, para. 5).

12. In addition, in close cooperation with the Department of Peacekeeping Operations (DPKO), the Department of Field Support and the Office of Legal Affairs, OIOS is reviewing the recommendations and findings of the Group of Legal Experts on ensuring accountability of United Nations staff and experts on mission with respect to criminal acts committed in peacekeeping operations (A/60/980). The focus of this exercise is three-pronged: (a) to review the suitability of the recommendations made; (b) to identify and propose short-term measures that might be taken by the General Assembly, the Secretariat or Member States towards implementing proposed recommendations; and (c) to assess the financial implications of recommendations that entail capacity-building, such as the recommendation to strengthen judicial reform in host countries.

4. Advocating transparency

13. The General Assembly, in its resolution 59/272, took a groundbreaking step towards increased transparency in the Organization by deciding that reports of OIOS "shall be submitted directly to the General Assembly as submitted by the Office" and that the "reports of the Office of Internal Oversight Services not submitted to the General Assembly are, upon request, made available to any Member State". This initiative has significantly facilitated the dialogue between OIOS and Member States. Furthermore, with the United Nations being a public organization, OIOS is of the view that audit, evaluation, inspection and, when appropriate,[1] investigation reports should be available in the public domain as a minimum measure of transparency. In this regard, and to ensure that Member States are informed of OIOS reports regularly, OIOS lists the titles of all reports on its website on a monthly basis.[2]

14. The issue of transparency, particularly regarding sharing of internal audit reports among entities in the United Nations system, came to the forefront in 2006 when OIOS was unable to fully carry out a request from the General Assembly to present a consolidated report on audits and investigative reviews of the tsunami relief operations undertaken by United Nations entities due to lack of agreement among these entities to share their internal audit reports with OIOS (see A/61/669).

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[1] Resolution 59/272, paragraph 2, notes that "when access to a report would be inappropriate for reasons of confidentiality or the risk of violating the due process rights of individuals involved in Office of Internal Oversight Services investigations, the report may be modified, or withheld in extraordinary circumstances, at the discretion of the Under-Secretary-General for Internal Oversight Services, who will provide reasons for this to the requesting party".

[2] www.un.org/Depts/oios/report&pub.htm.

Following the issues brought to light in the OIOS report, the High-Level Committee on Management of the Chief Executives Board has begun discussions on the sharing of internal audit reports among United Nations entities. In the opinion of OIOS, the sharing of these reports, particularly in matters that concern multiple United Nations entities and inter-agency programmes, is in the best interest of the Organization.

B. Strengthening oversight functions

15. Taking into account the recommendations from the report of the independent Steering Committee for the Comprehensive Review of Governance and Oversight within the United Nations and its Funds, Programmes and Specialized Agencies (see A/60/883 and Add.1 and 2), in July 2006 OIOS presented to the General Assembly its report on proposals for strengthening OIOS (A/60/901). At the sixty-first session, the Member States endorsed a number of the proposals, as noted in paragraph 26 below.

1. Ensuring a strategic use of resources

16. As required by the International Standards for the Professional Practice of Internal Auditing, OIOS has adopted a risk-based approach to prioritize the work of the Office. OIOS underscores that it is the responsibility of management to manage risk, and as such it is management's responsibility to develop a robust system for this endeavour. The development of a risk assessment methodology on the part of OIOS does not contradict this principle; rather, its purpose is to enable the Office to develop its workplans in accordance with international standards and as an assurance that internal oversight resources are strategically focused on those areas that pose the greatest risk to the Organization. OIOS plans to have a fully risk-based workplan for the 2008 calendar year, and a funding mechanism that would afford the flexibility necessary to implement such a plan will be presented to the General Assembly for its consideration.

2. Cultivating a professional workforce

17. Excellence in oversight work requires a dynamic workforce with the requisite knowledge and skills to effectively and efficiently complete assignments. To assist the Office in formulating policies and processes to ensure that the OIOS workforce is aligned to the highest professional standards, a comprehensive skills assessment was initiated in June 2007. This exercise, conducted by an external expert, will assess the current state of knowledge, skills, and abilities of staff against needs and standards and determine the training necessary to fill the gaps in skill sets for staff at each level and discipline, targeting the skills required for current and anticipated future roles. The initial assessment and the training to follow will foster the development of a high-quality work environment that drives continuous performance improvement and professional development.

3. Improving the monitoring of recommendation implementation

18. OIOS contributions to the Organization are only fully realized when its recommendations are implemented. To streamline and improve the monitoring of recommendation implementation, in 2006 OIOS launched a single recommendation database known as Issue Track, as reported in document A/61/264 (Part I). The next

and final phase of the development of Issue Track, slated for piloting in December 2007, will allow departments and offices to view and update their recommendations online by means of a web browser. This feature is expected to facilitate communication, enabling OIOS and its client departments and offices to conduct an online dialogue until full agreement is reached on the status of a recommendation. In addition, with access to the OIOS database, departments and offices will have the option to run various summary reports on all recommendations issued to them since 2002.

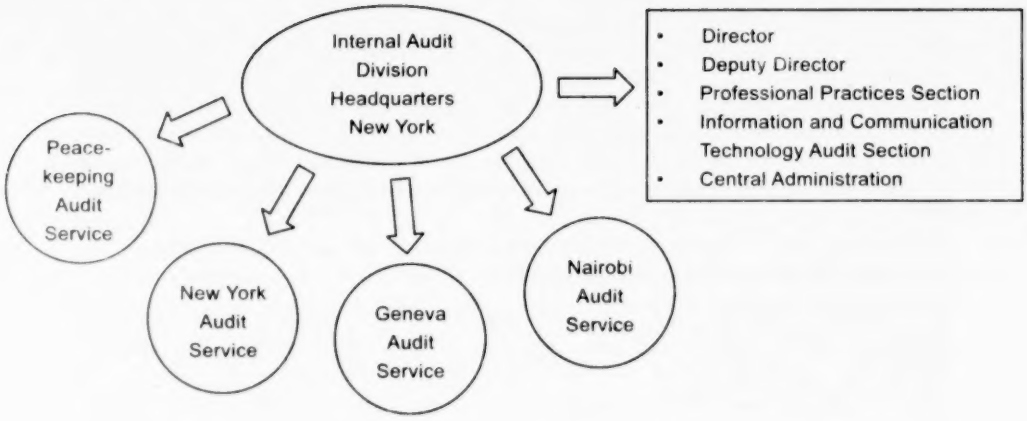
4. Ensuring optimal processes and procedures

19. Periodic internal and external assessments of existing processes and procedures are a healthy and necessary part of any organization's development. During the reporting period, the Internal Audit and Investigation Divisions were reviewed, and in June 2007 an internal review of the Executive Office was initiated. The results of these reviews will be carefully followed-up on to ensure that the Office is constantly seeking to improve, and that the process is continuous.

Internal Audit Division

20. An external quality assessment of the internal audit activity in New York was conducted in 2006, as required by the International Standards for the Professional Practice of Internal Auditing. External quality assessments of OIOS audit operations in Geneva and Nairobi were carried out in 2005. While most of the recommendations of these reviews have been implemented, the very significant issue that remains outstanding is a mechanism for ensuring that OIOS is funded independently of the Controller and client departments and offices. Other significant issues that remain outstanding relate to the introduction of an internal control policy, including a risk management policy, in the Secretariat. The introduction of an internal control framework is necessary to delineate the management's responsibility in the Organization. Management is responsible for internal control, which includes responsibility for the control environment, i.e., an organization's culture and core values. A sound organization rests on two pillars: management's acknowledgment of responsibility and accountability, and effective, operationally independent oversight.

21. During the reporting period, the two former Internal Audit Divisions (I and II) were brought under one directorship. The figure below illustrates the new organizational structure of the Internal Audit Division.



22. The Professional Practices Section, set up to develop and maintain a quality assurance and improvement programme of the internal audit activity, is now fully staffed and has commenced the key functions of (a) implementing the OIOS risk assessment framework; (b) implementing a quality assurance programme; (c) devising productivity tools; and (d) improving performance reporting to management.

23. Several procedures in the OIOS internal audit manual have already been streamlined and a number of audit templates revised. For example, the audit report format was restructured to improve the presentation of audit findings and recommendations. In addition, the manual is being revised to incorporate recently issued professional guidelines.

24. The newly created Information and Communication Technology Audit Section has developed an audit strategy and conducted risk assessments for the information and communication technology functions of the Department of Management and the Department of Peacekeeping Operations at Headquarters and defined the audit universe for those entities. The Section has also issued standard audit methodology and guidelines for the review of information and communication technology general controls.

Investigation Division

25. OIOS hired an external expert to review the Investigation Division with the objective of identifying specific actions to strengthen investigations. Unfortunately this was not adequately addressed by the independent Steering Committee in its report on the comprehensive review of governance and oversight within the United Nations and its funds, programmes and specialized agencies (A/60/883/Add.1 and Add.2). The findings of the external review will be duly considered in the context of the Office's proposals to strengthen the Investigation Division, and will be presented to the General Assembly in a separate report at the sixty-second session. During the reporting period, the Division undertook the following initiatives to improve its operations:

(a) Updated and expanded the investigation guidelines and standard operating procedures;

(b) Developed three working resource tools for OIOS staff worldwide: a jurisprudence library, a legislation library and a procedures and reference library.

Inspection and Evaluation Division

26. For the Inspection and Evaluation Division, the period under review was one of preparation for transition and change. In resolution A/61/245, the General Assembly endorsed the recommendation of the Advisory Committee on Administrative and Budgetary Questions to transfer the internal management consulting function from OIOS to the Department of Management, along with the tasks associated with the preparation for the programme performance report. OIOS will continue to fulfil its monitoring mandate through a programme of in-depth, thematic and focused inspections and evaluations. Over the course of the period under review, the Division undertook the following initiatives to strengthen its work methodology and processes:

(a) Commenced a process of updating and expanding its inspection manual;

(b) Established a Division-level quality assurance system for the conduct of inspections and evaluations;

(c) Established a Division-wide communications strategy;

(d) Conducted evaluation skills training for all staff;

(e) Commenced application of the OIOS risk assessment framework in the selection of inspection and evaluation topics;

(f) Conducted a number of professional development forums in which staff shared work experiences and expertise.

27. Following the review by the Committee for Programme Coordination of the revised OIOS "logical framework" in June 2007, and pending General Assembly approval of the Committee's recommendation to approve the changes to the narrative of programme 25, Internal oversight, the Division will strengthen its focus on inspections and evaluations. During the forthcoming biennium, it is envisaged that the OIOS evaluation function will be peer-reviewed within the United Nations Evaluation Group framework.

Executive Office

28. The proper functioning of OIOS depends on timely placement of qualified staff and adequate support and assistance to its operational divisions. In June 2007, OIOS began an internal review of its Executive Office. The goal of the review is to ensure that the processes and procedures that ensued from the rapid growth in OIOS resources evolved commensurately, and that the use of technology is optimized.

5. Impediments to work

29. The Internal Audit Division continues to rely directly on organizations funded from extrabudgetary sources to provide the resources required to finance their internal audit functions. OIOS has already made the point on several occasions that this process does not necessarily allow for attention to be focused on the areas of highest risk and constrains the implementation of the audit workplan. For example:

(a) OIOS is unable to provide reasonable assurance that all high-risk areas have been identified and are being addressed in the United Nations Environment Programme (UNEP). UNEP currently funds one P-4 post to cover the audit of its budget totalling about $300 million and a number of multilateral environmental agreements to which it provides administrative support, with a total budget of around $600 million. One P-4 post allows only limited audit coverage, with some UNEP offices and multilateral environmental agreements being rarely reviewed;

(b) One audit planned to be conducted in the United Nations Conference on Trade and Development was cancelled, as there was a problem in funding a P-4 post. This post has, since 1 July 2007, been funded for six months until the end of 2007;

(c) The United Nations University typically does not cover the cost of audit services; it only funds the cost of travel. As a result, no audit assignment could be undertaken in 2007;

(d) The Governing Council of the United Nations Compensation Commission has decided not to fund any internal audit coverage for the second half of 2007. Considering that more than $30 billion in unpaid awards remain, it is the opinion of OIOS that this decision has exposed the Commission to an unacceptably high level of risk.

30. These examples illustrate the need to establish a formal methodology for the allocation of resources, including non-staff costs, to the internal audit activity. The dependence on funding by the extrabudgetary entities significantly affects the independence of OIOS.

III. Oversight findings by risk area

31. OIOS is continuously developing strategies and methodologies to focus its oversight work on a risk basis, in accordance with the International Standards for the Professional Practice of Internal Auditing and best internal audit practice. The risk assessment methodology developed in 2006, and currently being implemented, is a major initiative to attune the Office's oversight assignments to the areas of highest risk to the Organization. However, in the absence of an enterprise-wide risk management framework and if the funding arrangements for the Office do not provide the flexibility to deploy resources to areas where the risk is perceived to be highest, OIOS has limited latitude in ensuring that its efforts and resources will be directed to the areas that represent the greatest risk exposure in the Organization.

32. The Office is also making gradual steps, including in the present report, to ensure that its reporting and communication to programme managers and the General Assembly highlight the areas that may be prone to risks that could negatively affect the Organization, and to convey conclusions on the adequacy and effectiveness of the risk management practices in place. With this approach, the Office aims at better assisting programme managers in taking required action and the General Assembly in making informed decisions.

33. This section summarizes selected findings from the period under review, classified into seven risk categories which in the opinion of OIOS most accurately represent the various types of risk present in the current United Nations work environment. These risk categories, which also form a central component of the

OIOS risk assessment methodology, are strategy, governance, compliance, financial resources, operational, human resources and information resources. Some of the findings describe specific and individual risks while others refer to risks that are pervasive in the system, i.e. frequently observed in OIOS oversight assignments. Common to them all is that, unless acted upon, they could have an adverse impact on the mandate, operations or reputation of the department or office in question or the United Nations as a whole. It should be noted that findings from the same oversight assignment may be found in several risk categories.

A. Strategy risk

34. OIOS defines strategy risk in the context of the United Nations as the impact on the mandate, operations or reputation of the Organization arising from:

(a) Inadequate strategic planning;

(b) Adverse business decisions;

(c) Improper implementation of decisions;

(d) Lack of responsiveness to changes in the external environment;

(e) Exposure to economic or other considerations that affect the Organization.

35. OIOS carried out a review of the regional support hubs of the Office of the United Nations High Commissioner for Refugees (UNHCR) (AR2006/160/03). These hubs are responsible for supporting field operations with a variety of experts (e.g., resettlement, registration, finance and HIV/AIDS). OIOS found that no clear and formal objectives were set when the hubs were created. Furthermore, in the absence of standards and benchmarks to evaluate the effectiveness of the hubs, it was difficult to measure and evaluate the benefits from their operations. OIOS recommended that UNHCR conduct a lessons-learned exercise from the establishment of the regional support hubs, as it would provide valuable input for the plans of UNHCR to outpost some of its functions. OIOS also recommended that UNHCR determine if any cost efficiencies from the establishment of regional support hubs had been achieved. UNHCR agreed to implement the recommendations.

36. The OIOS inspection of the United Nations Office on Drugs and Crime (MECD-2006-03) found that progress had been made in the integration of drug and crime issues, in developing a counter-terrorism programme and in reform efforts, which had resulted in management improvements, restructuring and the more efficient support and delivery of services through innovative information technology tools. The inspection also found that while there were efforts under way to realign and organize the strategic orientation of the programme, a coherent, consolidated, interconnected and realistic planning process was still not available and operational. OIOS recommended that a coherent and realistic internal planning process be put in place to align all project plans to the consolidated strategic plan and the General Assembly's budget review and approval process. OIOS noted positively that the Office was in the process of finalizing a comprehensive strategic plan and that most of the recommendations addressing the strategic planning aspects would be completed by the end of 2007.

37. The OIOS in-depth evaluation of the Department of Political Affairs found that the Department's complex operating environment, as well as the difficulty in achieving a single Department-wide unifying vision, posed challenges to the full implementation of its mandate. This was attributable to the intensely political nature of the work of the Department and the existence of topical overlaps between the Department and other United Nation entities. Adding to those challenges were divergent client expectations, as well as the lack of an overarching departmental mission unifying the divergent tasks and functions of the Department. Without a better understanding of clients' expectations, client needs might not be fully met; and without a single unifying vision, the Department would not fully seize internal complementarities and synergies. OIOS recommended that the Department establish a regular and systematic framework for obtaining client feedback and conduct a strategic planning exercise to develop a clearer Department-wide vision and mission statement. The Department has not yet implemented these recommendations.

B. Governance risk

38. OIOS defines governance risk in the context of the United Nations as the impact on the mandate, operations or reputation of the Organization arising from

(a) Failure to establish appropriate processes and structures to inform, direct, manage and monitor the activities of the Organization;

(b) Insufficient leadership within senior management;

(c) Absence of promotion of an ethical culture in the Organization.

39. OIOS investigated allegations of irregularities in the Safety and Security Service of the United Nations Office at Nairobi (ID/0495/06), which included misconduct and mismanagement by senior managers. The investigation found that current and former managers of the Service frequently misused official vehicles and that some complaints of serious misconduct raised with managers of the United Nations Office at Nairobi, including allegations of bribes in exchange for positions in the Service, recruitment irregularities and favouritism, were not properly addressed. This resulted in a perception of cover-up and lack of transparency among some staff of the Service. OIOS made several recommendations, including that appropriate action be taken against the concerned senior managers and that financial recovery be considered. No response has been received from management regarding these recommendations. OIOS highlights that it is managers' responsibility, through their conduct, to foster and encourage an organizational culture that emphasizes the importance of integrity and ethical values.

40. The audit of the project "United Nations Thessaloniki Centre for Public Service Professionalism" executed by the Department of Economic and Social Affairs (AN2006/540/01) disclosed a very low level of substantive activities in 2004-2005, the period covered by the audit. Only one substantive activity was implemented in 2004. During 2005 only three activities, including two out of 12 agreed between the Department and the donor Government, Greece, were completed. Insufficient planning and monitoring and ineffective human resources management by the Department were the key factors that resulted in low level of substantive activities in 2005. All of these indicate the inefficient use of donor funds, which has resulted in the premature closure of the project and increased the

reputation risk for the United Nations as a consequence. The Department acknowledged that there were several management failures which ultimately contributed to the non-achievement of the project objectives. The Department agreed that many of the OIOS recommendations would be useful for strengthening the management of technical cooperation projects.

41. The OIOS independent review of the monitoring and reporting mechanism for children and armed conflict (MECD-001) was carried out within the first year of implementation of the mechanism. It found that while the mechanism had responded, in particular, to the call of the Security Council for information on the recruitment and use of child soldiers and other grave violations of applicable international law, the mechanism's utility for guiding the victim response side of the equation had so far been limited. OIOS noted that the emphasis of the mechanism had been on verifying the association between parties to conflict and violations related to children and armed conflict in order for the Security Council and others to initiate measures against the perpetrators of such violations. OIOS found that there was no basis in international humanitarian and human rights law for giving pre-eminent attention to child soldiering among the six grave violations cited by the mechanism. Also, there were some concerns that reporting of violations involved security risks for victims, witnesses and the data collectors themselves, and that the provision of protection services might be jeopardized by emphasis on detection efforts. OIOS recommended that a more detailed agreement on monitoring and reporting roles and responsibilities among United Nations entities should be articulated.

42. During the audit of the country office of the United Nations Office on Drugs and Crime in Nigeria (AE2006/366/04), the staff raised concerns about unfair and unequal treatment, lack of transparency regarding personnel decisions and the lack of a system to communicate suspected improprieties. This had resulted in low staff morale, a negative perception of leadership and a lack of trust, which could be detrimental to the achievement of the Office's objectives. The Office agreed with the OIOS recommendation and developed an action plan to address the concerns raised by staff. The previous Representative was asked to retire, and the new Representative in Nigeria has drafted a human resources action plan that includes trust-building and training components, and has shared it with the staff for finalization by June 2007.

43. An OIOS investigation conducted at the United Nations Office at Nairobi (ID/0232/05) found evidence of frequent misuse of official vehicles by senior officials. The misuse contributed to unnecessary expenditures in overtime payments to drivers and close protection officers assigned to these officials. All of the OIOS recommendations issued to the United Nations Office at Nairobi and the Department of Safety and Security to address these issues were accepted, and steps taken for their implementation. No response has been received on a separate recommendation issued to the Executive Office of the Secretary-General to take appropriate action for the misuse.

44. An OIOS investigation into allegations of mismanagement and waste of resources at a country office of the United Nations Office on Drugs and Crime (ID/0188/06), conducted at the request of the Office, found irregularities in the monitoring of the implementation of a high-valued project. The investigation found that goods worth $14,215 had not been delivered and that payments totalling $3,300

lacked supporting documentation. In addition, OIOS found evidence that in violation of relevant United Nations Regulations and Rules pertaining to staff conduct, the Country Representative had used his long-standing United Nations career to actively advance his political ambitions and failed to disclose the fact that he was living in a rent-free Government-provided house. The OIOS recommendations, including the recovery of monies from the Country Representative, have been accepted.

45. An OIOS inspection of evaluation capacities and needs, which was near completion in June 2007, found that evaluation capacities within the Secretariat were inadequate at all levels (i.e., the subprogramme, programme and central levels). Several departments/offices still do not have an established evaluation policy, unit or function. The volume and quality of internal evaluation activity varies considerably. Often, evaluation is seen as an additional burden that requires programme managers to shift attention and resources from their primary mandate (i.e., the implementation of their substantive work programme). As a result, it is given low priority and is often assigned to junior staff, which further diminishes the perception of the value of evaluation, such that even evaluations of high quality and with potentially very useful recommendations do not receive much attention.

46. Resources and competencies for the planning, management, conduct and reporting of evaluations and for ensuring feedback of findings and recommendations into operations are urgently required at different levels within the Secretariat. However, capacity is not only a question of financial resources, and OIOS recommendations call for the establishment of a suitable environment in terms of structures, applied evaluation norms and standards, operational transparency and the independence necessary for a properly functioning evaluation system. Without further prompting and support from senior management and the intergovernmental bodies, the goal of increasing the quality and use of evaluations may well be jeopardized. OIOS recommends that the Secretary-General endorse and promulgate the United Nations Evaluation Group norms and standards as the framework for all evaluation policy and practice in the Secretariat. OIOS further recommends the establishment of a standard procedure to plan, budget and report on the use of evaluation resources, to be included in budget instructions and made a condition for resource allocation to programmes.

C. Compliance risk

47. OIOS defines compliance risk in the context of the United Nations as the impact on the mandate, operations or reputation of the Organization arising from violations of, or the failure or inability to comply with, laws, rules, regulations, prescribed practices, policies, procedures or ethical standards.

48. The OIOS review of selected revenue-producing activities at the United Nations Postal Administration (AH2005/513/02) found that the sale of United Nations philatelic material had not been authorized by senior United Nations officials, including the Headquarters Property Survey Board, in accordance with United Nations Financial Regulations and Rules. The Postal Administration indicated that the philatelic material had been designated as disposable surplus and the special nature of the items as the heritage and legacy of the United Nations did not lend itself to standard disposal procedures. The Department of Management

accepted the OIOS recommendation to initiate an investigation into possible irregularities in the sale of the philatelic material. The OIOS Procurement Task Force has subsequently completed an investigation on this issue. The results of this investigation are summarized in the report of OIOS on the activities of the Procurement Task Force (A/62/272).

49. In an investigation at the Office for the Coordination of Humanitarian Affairs at the United Nations Office at Geneva (0157/07), OIOS found evidence that a staff member had engaged in conduct unbecoming an international civil servant in connection with the purchase and use of a vehicle issued with diplomatic plates and a duty-free petrol card. The vehicle had been sold to the staff member by a senior official from an expert body of the General Assembly. The OIOS recommendation that appropriate action be taken against the staff member was accepted by the Director-General of the United Nations Office at Geneva, and disciplinary proceedings have been initiated against the staff member. A related recommendation regarding the possible referral of the case to the Swiss authorities, for their information and/or action with regard to the misuse of the duty-free petrol card, is pending consideration by the Organization. Since OIOS does not have jurisdiction over the expert body, a copy of its investigation report has been provided to the President of the General Assembly for further investigation to ensure that all parties concerned are held accountable. The President of the General Assembly concurred and advised OIOS that the conduct of the senior official will be duly investigated.

50. An OIOS audit of financial management at the United Nations Office at Nairobi (AA2006/211/01) identified weak controls over corporate credit card issuance and use. Proper procedures, in particular the instructions laid out in the circular letter dated 17 May 2002 from the Office of Programme Planning, Budget and Accounts, were not followed. As a result, there was a high risk of the Organization being liable for expenses that were not incurred in accordance with the United Nations Financial Regulations and Rules. OIOS recommended that the United Nations Office at Nairobi issue detailed guidelines to support the operations of the credit cards, including defining roles and responsibilities of the cardholders. The Office took immediate action, including a full reconciliation and review of the use of and accounting for credit card transactions.

51. An OIOS inspection (MECD-2006-003) found that the United Nations Office on Drugs and Crime did not fully comply with programme performance guidelines to monitor and report on results. The management of the United Nations Office on Drugs and Crime attached greater importance to the use of the ProFi system used for project tracking. The inspection found that there was insufficient scrutiny of programme performance information at the management level, thus reducing the value of the information available as an input to decision-making. The controls in place lacked guidance, and therefore the ability to measure progress against objectives and expected accomplishments was undermined. OIOS concluded that if the inadequacies were not addressed urgently, the relevance, efficiency, effectiveness and impact of the Office could not be credibly determined, thus impairing its management and the support it has enjoyed from external stakeholders. The Office has subsequently taken a number of measures to address these concerns. The establishment of dedicated capacity for monitoring and reporting is also planned. OIOS will review the status of progress of related recommendations by the end of 2007.

52. OIOS investigated allegations of serious misconduct by an OIOS staff member (ID/0114/07). The evidence adduced revealed that an OIOS staff member had acted in a manner inconsistent with his obligations as an international civil servant. The staff member had violated local laws by knowingly and wilfully obtaining and using false official documents to effect property transactions, misled the United Nations by failing to disclose a previous criminal record, and engaged in an unauthorized outside occupation, thereby violating United Nations Financial Regulations and Rules. OIOS recommended that appropriate action be taken against the staff member, and that the case be referred to the host country for prosecution. The staff member has been summarily dismissed.

53. OIOS conducted an investigation into alleged abuse of authority and misuse of resources within the Printing Section of the United Nations Office at Geneva (ID/0324/06). The evidence adduced revealed the unauthorized printing of more than 100 copies of a university alumni yearbook, which resulted in a financial loss of 7,400 Swiss francs to the Organization. The printing occurred following specific instructions from two senior officials of the United Nations Office at Geneva. The OIOS investigation found that the senior officials responsible for the printing of the yearbooks were co-founders of the Geneva alumni association of that university. OIOS recommended that the Director-General of the United Nations Office at Geneva take appropriate action against the staff responsible, including the recovery of losses.

D. Financial risk

54. OIOS defines financial risk in the context of the United Nations as the impact on the mandate, operations or reputation of the Organization arising from:

(a) Failure to obtain sufficient funding;

(b) Inappropriate use of funds;

(c) Inadequate management of financial performance below expectations;

(d) Inappropriate reporting and disclosure of financial performance.

55. OIOS conducted an investigation into the theft of approximately $179,000 from a locked safe in an office of OHCHR in Kinshasa (ID/0033/06). Although OIOS did not find evidence to identify the perpetrator(s), the investigation revealed that several factors had facilitated the theft. The cash handling procedures made several staff aware that a large amount of money had been withdrawn from the bank and placed in a locked safe in the office of the Finance Officer of OHCHR. OIOS made appropriate recommendations, which included a review of the cash handling practices and the local security arrangements and the initiation of a comprehensive financial audit.

56. OIOS conducted an investigation into an alleged fraud within the Telecommunications Unit of the Information Communication and Technology Service at the United Nations Office at Geneva (ID/0067/06). The evidence adduced revealed a manipulation of the telecommunications system which had caused a financial loss to the Organization of at least 202,000 Swiss francs. Following an OIOS recommendation, the case was referred to Swiss authorities for criminal

investigation and the United Nations Office at Geneva has joined the procedure as a civil party in order to claim damages. The procedure is still under way.

57. In its inspection of the Office for Outer Space Affairs (MECD-004), OIOS noted that the expanding thematic coverage of the Office's work, including its responsibility for implementing the recommendations of UNISPACE III (see General Assembly resolutions 54/68 and 55/12), was not commensurate with its level of resources. In addition, OIOS noted that the development of strategies aimed at mobilizing additional resources remained at the conceptual stage. OIOS was concerned that the Office's limited core resources might restrict the implementation of its programme, thereby reducing its potential effectiveness and impact. OIOS recommended that the Office for Outer Space Affairs review the relationship between its regular budget resources and its core activities and inform the Committee on the Peaceful Use of Outer Space and the General Assembly on the limitations of its ability to absorb additional mandates. The Office has already started briefing the Committee and is scheduled to brief the General Assembly in time for the approval of the 2008-2009 proposed budget.

58. An OIOS audit of financial management at four organizations — the Economic Commission for Africa (ECA) (AA2006/710/01), the United Nations Office at Nairobi (AA2006/211/01), the International Tribunal for the Former Yugoslavia (AA2006/270/01) and the International Criminal Tribunal for Rwanda (AA2006/260/01) — concluded that certifying officers in some of the organizations were not always fully aware of their responsibilities and were not always clear on who were the most suitable people to be given the certifying responsibility. The certifying function sets out the ground for the appropriateness of financial resources management as a whole. It involves highly technical tasks and the exercise of this authority requires the competency, knowledge and skills to ensure full compliance with the instruments for financial controls. OIOS concluded that, at the Organization level, there was a lack of guidance to assist in choosing the appropriate staff to be certifying officers, and of training in how to perform their functions. That condition exposed the Organization to risks of incurring unauthorized or unbudgeted expenditures. All of the organizations audited recognized the importance of ensuring that a strong certifying function was in place, with appropriate separation of duties between approving and certifying functions. The tribunals for Rwanda and the former Yugoslavia have established satisfactory arrangements, ECA is exploring the feasibility of how to improve arrangements for accountability and performance assessment of its certifying officers and OIOS is waiting clarification from the United Nations Office at Nairobi on whether it will hold training sessions to strengthen the capability of its certifying officers.

E. Operational risk

59. OIOS defines operational risk in the context of the United Nations as the impact on the mandate, operations or reputation of the Organization arising from (a) inadequate, inefficient or failed internal processes; and (b) failure to carry out operations economically, efficiently or effectively.

60. In the audit and investigative reviews of the tsunami relief operations (A/61/669), OIOS noted that several United Nations agencies involved in the tsunami relief operations had implemented their own mechanisms to reduce the

level of vulnerability to fraud and corruption in their programmes. However, no common risk management policy had been formulated by the management of the respective entities. Therefore, efforts to identify and manage risks were taking place in a piecemeal rather than an integrated manner. The tsunami relief operation also highlighted that there was a need for a holistic internal control policy for the United Nations system which made the commitment to transparency and accountability fully effective. OIOS recommended that a risk management policy and an internal control policy be formulated by the Secretary-General and submitted to the General Assembly for approval. The policies should set out management's responsibility for controlling the operations of the Organization; the activities management should undertake to fulfil those responsibilities; and its accountability in the use of public resources; as well as requirements for joint oversight of multi-agency programmes.

61. In the audit of the application of the best value for money principle in the Organization's procurement of goods and services (A/61/846), OIOS found a lack of agreed understanding of the principle by all United Nations procurement stakeholders. That, coupled with insufficient documentation of the awards made using the best value for money evaluation method, precluded OIOS from determining whether the best value for money principle had been applied in the Secretariat while ensuring that the other three procurement principles (fairness, integrity, and transparency; effective international competition; and the interest of the United Nations) had been adhered to. The Department of Management agreed, in principle, with the OIOS assessment that certain areas were in need of further improvement and accepted the broad recommendations made, but did not subscribe to some of the findings and conclusions contained in the OIOS report concerning international competition.

62. The OIOS evaluation of the Department of Political Affairs (see E/AC.51/2007/2) found that while the Department was largely fulfilling its core functions and its clients were mostly satisfied, performance was mixed for those functions supporting the prevention, control and resolution of conflicts. OIOS acknowledged that this was partially due to an increase in mandates without concomitant resources, structural limitations, demands for providing foreign-ministry support to the Secretary-General and a limited travel budget for field visits. It was also due to the lack of a rigorous and well-defined methodology for political analysis. As a result, DPA was challenged in fully implementing its core mandates regarding peacemaking and peacebuilding. In the report on the Department's regional divisions (E/AC.51/2006/4), OIOS made 10 recommendations to strengthen the Department's work in prevention, control and resolution of conflicts which have been endorsed by the Committee for Programme and Coordination. In its summary report (E/AC.51/2007/2), OIOS recommended 10 actions to strengthen the overall performance of the Department. DPA has begun implementing the 2006 recommendations, and has also started to consider some recommendations from the summary report.

63. The OIOS evaluation of the Department of Political Affairs further noted that the Department faced several significant challenges regarding the performance of its substantive divisions and units. This was due to the lack of adequate systems, mechanisms and tools for capturing, storing, disseminating and integrating knowledge; inadequate operational guidelines and work processes; and the lack of a monitoring and evaluation system. OIOS determined that if these inadequacies were not addressed, the efficiency, effectiveness and impact of the Department would be

reduced. OIOS made recommendations to develop Department-wide knowledge management and monitoring and evaluation systems and to strengthen work processes and guidelines at the level of the Department's divisions and units. The Department is beginning to address these recommendations.

F. Human resources risk

64. OIOS defines human resources risk in the context of the United Nations as the impact on the mandate, operations or reputation of the Organization arising from the failure to develop and implement appropriate human resources policies, procedures and practices.

65. The OIOS audit of UNHCR operations in Egypt (AR2006/131/04) confirmed the heavy reliance of UNHCR on national United Nations Volunteers to deliver essential core functions, sometimes hindering the effectiveness of the work conducted. In Egypt, United Nations Volunteers with no prior work experience were hired to occupy very sensitive and responsible positions, such as in the field of protection. That was contrary to the UNHCR policy on the use of United Nations Volunteers. OIOS had raised this same issue in paragraph 21 of its report A/58/364. Although, as a result of the concerns raised by OIOS, UNHCR had developed a standard policy on the use of volunteers, some issues remained unsolved. OIOS again recommended that UNHCR reassess the number of United Nations Volunteers conducting core functions with the aim of replacing them with regular UNHCR staff. In response, UNHCR stated that the number of United Nations Volunteers had gradually been reduced in Egypt, but the workload still exceeded the capacity of those in regular posts. OIOS will continue to monitor the implementation of the recommendation until satisfactorily resolved.

66. The OIOS audit of the response of the Office for the Coordination of Humanitarian Affairs to the earthquake in Pakistan (AN2006/590/02) found that the Office had deployed four different Deputy Humanitarian Coordinators, in succession during the five-month period from October 2005 to February 2006. One of the Deputy Humanitarian Coordinators had actually been a consultant engaged by the Office. The frequent changes in senior management and the lack of continuity in the Office's operations in Pakistan had added undue demands on its staff to support the Humanitarian Coordinator. OIOS recommended that the Office, in consultation with the Inter-Agency Standing Committee, which appoints the Deputy Humanitarian Coordinators, develop a roster of Deputy Humanitarian Coordinators, heads of office and field coordinators who would be ready for deployment at a short notice and would ensure the stable management of the office. OCHA agreed in principle with the OIOS recommendation but it is yet to be fully implemented.

67. The OIOS audit of United Nations Office at Geneva consultants and experts (AE2006/311/01) found that the Office's Human Resources Management Section did not maintain an Office-wide roster of consultants, arguing that the Office of Human Resources Management of the Department of Management was responsible for establishing such a roster. Furthermore, the Section was of the opinion that, to a large extent, the Integrated Management Information System served as a roster. However, OIOS noted that some but not all information on consultancies existed in the System. To improve the competitiveness and transparency of the consultant selection process, and for compliance with the requirements of ST/AI/1999/7, OIOS

recommended the establishment of a roster of consultants. The Section commented that the only viable option would be for all Geneva-based departments and offices to establish official rosters with an indication of pre-agreed parameters. The Section could then act as a repository of the databases and facilitate their exchange between departments. OIOS recognized the practicality of those comments and revised the recommendation accordingly.

G. Information risk

68. OIOS defines information risk in the context of the United Nations as the impact on the mandate, operations or reputation of the Organization arising from the failure to establish and maintain appropriate information and communications technology systems and infrastructure.

69. The OIOS audit of UNHCR information and communication technology management (AR2006/166/04) revealed that the information and communications technology strategy was not adequate to take full advantage of the potential benefits of the automated systems of UNHCR. This stemmed from the fact that the governance and the administrative structure of the overall information and communications technology operation and the role of the UNHCR Division of Information Systems and Telecommunications were not clear. In response to the OIOS findings, UNHCR agreed to develop structures, documents and procedures that would allow adequate monitoring of information and communications technology systems, avoid duplication and ensure the efficient use of funds.

70. In an audit of business continuity, including disaster recovery, conducted at the United Nations Joint Staff Pension Fund (AS2006/800/04), OIOS noted that the Fund's business continuity plan did not incorporate critical provisions in accordance with industry standards. As a comprehensive business impact analysis had not been done, no assurance could be given that all critical systems and associated requirements had been identified. OIOS recommended that the Fund's management complete a comprehensive business impact analysis followed by implementation of a business continuity plan that considered different disaster scenarios. The Fund has agreed with the OIOS recommendations and has requested resources to conduct the business impact analysis. Separately, OIOS also found that the Investment Management Service of the Fund had not completed a disaster recovery plan and, as a result, the staff of the Service might not be familiar with emergency response requirements. OIOS recommended that the management of the Service document, test and disseminate a comprehensive disaster recovery plan based on the already completed business continuity plan. The Service indicated that it had since updated its manual to reflect the requirements given in the audit report and that a complete test would be done in 2007.

71. In its inspection of the Office for Outer Space Affairs (MECD-004), OIOS noted that knowledge was compartmentalized and that the systems for internal knowledge sharing are not well-structured, user-friendly or forward-looking. In order for a relatively small team of staff to provide effective support to multifaceted intergovernmental deliberations in different committees, subcommittees and working groups, it was imperative to have a well-structured, clearly indexed and user-friendly system for accumulating and maintaining institutional knowledge. While the Office had made some effort in consolidating and updating its knowledge

assets, it had not fully utilized information technology to facilitate access and availability of information. OIOS recommended that the Office increase its knowledge management by improving its website and internal information systems in order to facilitate the coordination and delivery of its workplan and better convey the value added of the Office. Many of the related recommendations have been implemented or are well in progress.

IV. Mandated reporting

A. Capital master plan

72. The highly complex nature of the capital master plan, coupled with the significant financial exposure and safety-related concerns, make the project the riskiest construction project the Organization has ever undertaken. In fulfilment of General Assembly resolution 57/292, since February 2003 OIOS has provided audit coverage of the project. In August 2006, OIOS requested the Department of Management to supplement the current audit coverage of a P-5 auditor post with an additional P-4 auditor post and consultancy funds in the amount of $300,000 so that OIOS could enter into a consulting contract with a firm specialized in construction auditing in New York State. These additional resources were made available to OIOS in January 2007. OIOS is in the process of finalizing the recruitments against both the P-5 and P-4 posts, following the recent retirement of the previous incumbent of the P-5 post. OIOS has also started the procurement exercise for the specialized services under the consulting contract.

73. As part of its audit approach and in order to address problems expeditiously, OIOS has issued comments, observations and recommendations in memorandums and via e-mail rather than in formal audit reports. Also, in addition to transmitting all internal audit communications to the Board of Auditors, OIOS has participated in regular meetings with the Board to share information on the status and results of ongoing audits, and thus has contributed to ensuring effective and efficient oversight of the capital master plan. In February 2007, OIOS updated the status of its recommendations pertaining to two audits: draft preconstruction phase services agreement (part A) and construction manager agreement (part B); and code consulting services bid and construction law counsel request for proposal. The Office of the Capital Master Plan accepted all 18 related recommendations, implemented 15 of them, and advised that the remaining 3 recommendations would be implemented during 2007-2008.

74. The three open recommendations concern incorporation of the United Nations general conditions of contract into the draft preconstruction phase services agreement and the draft construction management services agreement; establishment of a working group with representatives from the Office of the Capital Master Plan, the Office of Legal Affairs and the Procurement Service of the Department of Management to develop internal procedures for resolving claims disputes and other contractual matters; and ensuring a sliding scale and/or cumulative percentage of profit and overhead for work done by subcontractors relative to contract amendments, taking into account the construction manager's general conditions and fees.

75. During the reporting period, OIOS also initiated two specific audits, one to assess the activities related to contract B and amendments for infrastructure architectural and engineering design services and the other to evaluate the accuracy and validity of capital master plan disbursements. These audits are being finalized. In addition, OIOS responded to various requests for advice from the Office of the Capital Master Plan and the Department of Management. OIOS supported the Office's initiative to have a specialized firm perform an ongoing review of payments made to capital master plan contractors, as this review will enhance the plan's internal control systems. Also, following a request by the Under-Secretary-General for Management, OIOS provided advisory services related to a proposed award for the provision of construction management services. In particular, OIOS suggested that the documentation in support of major decisions for the capital master plan contract should include a specific risk assessment and reiterated the view that the formation of an independent advisory board composed of experts in the construction area would provide the necessary level of technical oversight for the capital master plan project. However, the Department of Management replied that the advisory board, in accordance with its draft terms of reference, is not meant to provide technical oversight but rather to act as a general advisory board to the Secretary-General on all matters related to the capital master plan.

B. United Nations Compensation Commission

76. The United Nations Compensation Commission completed processing of claims in June 2005 and is currently winding down its operations. Until such time as a decision regarding the eventual transition to a successor agency is agreed upon, the United Nations Compensation Fund remains under the continuing oversight of the Commission's Governing Council, supported by a residual secretariat in Geneva.

77. The Commission will still be responsible for a number of matters including continuing to make award payments, following up on awards already made and monitoring payment of awards made for environmental damages. A limited number of claims with large award values will continue to be active for the receipt of future payments, with a scheduled full payment by 2025. As of 30 June 2007, approximately $52.4 billion out of total claims of approximately $354 billion has been awarded to claimants, of which over $22.1 billion has been paid. The complexity and magnitude of the Commission's responsibilities under the relevant Security Council resolutions and the associated risks have made it essential to provide adequate oversight coverage. In this context, the Commission provided OIOS with two audit posts at the P-4 level until 31 December 2006. After its risk assessment of the Commission for 2007, OIOS assessed its resource requirements and requested two audit posts to cover all identified high and moderate risks. However, following a meeting between the Executive Secretary and the Under-Secretary-General for Internal Oversight Services on 9 October 2006, it was agreed that the Executive Secretary would recommend to the Council that one P-4 audit post be included in the budget for 2007. The Governing Council rejected the proposal to provide OIOS with an audit post for the entire year and instead approved only $100,000 for audit services. This amount was proposed to cover the cost of one auditor at the P-4 level for the first six months of 2007 given the planned phase-out of the existing secretariat of the Commission in mid-2007 and its replacement by a small residual secretariat. At the request of OIOS, the matter was raised again at the

Council's sixty-third session, held from 20 to 22 June 2007, when the Committee on Administrative Matters declined to approve additional funds for audit services for the second half of 2007. The Committee indicated that it would consider at its next meeting resources that might be needed for any audit work planned by OIOS for 2008. It must be noted therefore that the Commission's activities for the second half of 2007 will receive no scrutiny by OIOS and the risks associated with this decision reside with the Commission's Governing Council.

78. Given the limited resources, OIOS developed its audit strategies so as to ensure oversight of the Commission's highest-risk activities. Four assignments were conducted during the reporting period.

79. An audit of duplicate claims (AF2006/820/07) found that, as at June 2006, approximately $70.6 million had been identified by the Commission secretariat as overpayments. In the opinion of OIOS, the Commission generally used adequate procedures to identify potential overpayments, albeit on a post facto basis. The Commission also generally captured the possible overpayment scenarios, so as to ascertain and identify the overpayments. However, OIOS concluded that the quality of the data used to identify such overpayment was inadequate. The manual review of the claim pairs within the claims population likely to yield overpayments had not been consistently carried out. Also, one particular electronic search — screening database of the Kuwait Public Authority for Civil Information, containing civil identification numbers for those who lived in Kuwait — had not been systematically used to identify individual claims related to overpayments. That was not consistent with the Commission's stated objective of generating the highest yield of potential overpayments, having regard to factors of time, personnel, costs and statistical significance. OIOS recommended that alternative procedures, such as more detailed filtering of data and use of the Authority's database for individual claims be undertaken to uncover additional overpayments. OIOS also recommended further filtering of the claims population of repaid awards. As a result of the electronic searches recommended by OIOS, the Commission identified an additional $2.42 million in respect of overpaid claims related to two submitting entities. In addition, pursuant to the recommendation of OIOS, the Commission prepared a lessons learned document.

80. An audit of the claims payments of the Commission (AF2006/820/02) found that there were adequate controls to ensure that all funds transferred from the Commission's secretariat were received by the Governments and subsequently distributed to the successful claimants. However, Governments generally regarded distribution reports as part of the reporting obligations to the Commission's secretariat, rather than a tool for reconciling the amounts received with the amounts distributed to the claimants. The review also found that despite the Commission's efforts to remind the defaulting Governments to account for all outstanding refunds, some long-outstanding balances still needed to be cleared. The Commission accepted the recommendations and continues to monitor the outstanding balances in order to obtain a full accounting from the Governments.

81. An audit of the Commission's strategic planning process (AF2006/820/01) concluded that the Commission had taken adequate steps to achieve its mandate of completing claims processing activities. However, OIOS identified the need to consolidate the Commission's plans for completing the remaining programmes before the liquidation and to enhance its ability to monitor the liquidation process.

The Commission accepted the recommendation and presented a consolidated closure plan to mid-2007.

82. OIOS also conducted a financial monitoring review of the Commission covering the first year of the biennium 2006-2007 (AF2006/820/05). It included a review of the budgetary process and focused on the expenditure recorded as of 30 April, 30 September and 31 December 2006. In the opinion of OIOS, the Commission's secretariat followed key controls to ensure proper monitoring of the approved budget and compliance with United Nations Financial Regulations and Rules in all material respects.

V. Management consulting activities

83. As noted earlier (see para. 26 above), in resolution A/61/245 the General Assembly endorsed the recommendations of the Steering Committee, OIOS and the Advisory Committee on Administrative and Budgetary Questions to transfer the internal management consulting function from OIOS to the Department of Management.

84. The Management Consulting Section of OIOS undertook a project with the Department of Safety and Security to improve the management practices, processes and accountability of the investigations function performed by its Safety and Security Service in New York. On the basis of the Section's findings and recommendations, the Department of Safety and Security has initiated concrete steps to establish an internal affairs unit to investigate category II complaints against Department personnel worldwide.

85. The Management Consulting Section has embarked on two multi-phased projects in cooperation with the Department for General Assembly and Conference Management. The objective of the first project is to help the Publishing Section of the Department to enhance its services to the United Nations family. In phases, the project is addressing operations and information technology, printing capacity, a wide variety of staff development tasks, outreach customer management activities, marketing and a review of policies and procedures to increase the efficiency and service of the Unit. The second project, which has only recently started, aims to harmonize the Department's expectations as they pertain to a monitoring, evaluation, risk assessment and statistical verification function, the goal of which is to build in-house capacity to carry out monitoring, risk assessment, statistical reporting, self-evaluation, etc.

86. In order to improve the overall effectiveness of the human resources action plans and facilitate departmental participation in the process, the Management Consulting Section worked closely with the Office of Human Resources Management and representatives of several departments and offices (Department of Economic and Social Affairs, Department of Public Information and United Nations Office at Nairobi) to develop a new template for the plans. The new template and cycle format are now linked to the format of the compact and budget, are easier to monitor and allow for faster performance data gathering, and more accurate results.

87. Upon the departure of the previous Director-General of the United Nations Office at Nairobi in 2006, the Management Consulting Section was requested by the Secretary-General to undertake a study of the Office's governance structure and to

identify options to enhance its executive management structure. A project team led by the Management Consulting Section and comprising representatives from relevant entities managed the project, taking into account the role of the United Nations Office at Nairobi in the provision of core and common services to Secretariat entities and offices of the United Nations system and the role of UNEP and UN-Habitat in a proposed United Nations Office at Nairobi management board as well as the newly established common service governance structure.

Annex

Overview of mandated reporting requirements

The categories of information to be included in the annual reports of the Office of Internal Oversight Services are set out in the following documents:

(a) Secretary-General's bulletin ST/SGB/273 of 7 September 1994 (para. 28):

(i) A description of significant problems, abuses and deficiencies and related OIOS recommendations (see sect. III above);

(ii) Recommendations not approved by the Secretary-General (none);

(iii) Recommendations in previous reports on which corrective action has not been completed (see the addendum to the present report (A/62/281 (Part I)/Add.1);

(iv) Decision from a previous period revised by management (none);

(v) Recommendations on which agreement could not be reached with management, or where requested information or assistance was refused (see paras. 27 and 28 above and addendum);

(vi) The value of cost savings recommended and amounts recovered (see addendum);

(b) General Assembly resolution 56/246:

(i) Information regarding the implementation rate of the recommendations of the previous three reporting periods (see addendum);

(ii) Information regarding the impact of the reorganization of OIOS on its work (see A/57/451, A/58/364, A/59/359, A/60/346 and sect. II above);

(iii) Reporting separately on those recommendations that have been implemented, those that are in the process of being implemented and those for which no implementation process is under way, and the reasons for their non-implementation (see addendum);

(c) General Assembly resolutions 57/292 (sect. II, para. 22) and 60/282: Reporting on oversight activities conducted throughout the phases of the capital master plan project in the context of the annual reports of the Office (see paras. 69-72 above);

(d) General Assembly resolutions 59/270 and 59/271 of 23 December 2004: Provision of internal oversight of the entire claims process of the United Nations Compensation Commission and reporting regularly thereon in the context of the annual reports of the Office (see paras. 73-80 above);

(e) General Assembly resolution 59/272 of 23 December 2004: Annual reports should contain titles and brief summaries of all reports of the Office issued during the year (see addendum).